October 14, 1959

Investor's Reader

For a better understanding of business news

MERICAN CAN PREXY
STOLK (Seated) EYES
PLASTICS FUTURE
(see page 13)

SUB-ZERO SPERRY

The frosty atmosphere around this laboratory device is not a pre-season sampling of ordinary wintry weather. The telltale vapor trace testifies to the "coldest temperature in the universe" — minus 459° F. This is one of the far scientific frontiers on which the scientists at the Sperry Gyroscope division of Sperry Rand test components for advanced electronic countermeasures.

Subjected to a bath of liquid helium in the heavily insulated container pictured at left are parts for the countermeasure system of the Air Force's B-52 intercontinental bomber. Designed to confuse enemy radar, missiles and aircraft, the system is described as "an electronic bag of tricks never before employed in warfare."

The B-52 countermeasures system is just one of Sperry's varied jobs for Uncle Sam. In the manned aircraft field, it turns out inertial bombing and navigation systems for the B-58, components for the B-70 (it would also have supplied the canceled F-108) and inertial guidance for the space traveling X-15. In the missile field it is prime contractor for the Sergeant tactical missile, participates in a number of other programs, among them the Jupiter, Titan, Thor and Polaris ballistic missiles, Nike Zeus anti-missile missile, Pioneer and Thor Able space travelers. All told some 48% of Sperry's record $990,000,000 sales in the year ended last March were Government contracts. And as of June 30, defense backlog stood at $848,000,000.

With advances in other lines as well (Sperry commercial products range from Univac electronic data processing systems to Remington typewriters and electric shavers to New Holland farm machinery) the company reported sales up 31% to $275,000,000 in the June quarter. Earnings increased even more, came to 31¢ a share v but 13¢ the year before. For the full fiscal year Sperry expects sales to top the billion mark for the first time and earnings to move up to the $1.25-to-$1.50 a share range—neatly above the 96¢ earned in both the past two years but not quite up to the $1.75 area of 1954-56.

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BUSINESS AT WORK

RAILROADS
White Light

THE august Association of American Railroads evidently likes a White in its leadership. When 70-year-old Nickel Plate Railroad chairman Lynne Loraine White (who has just turned over the chief executive's role & rank but not the chairmanship of his road to president Felix S Hales) decided to retire from the AAR board, his fellow directors quickly filled the vacancy last week with 62-year-old Delaware & Hudson president William White (no relation).

RUBBER
Firestone Fiber

THE COVER of the folder which carried the Firestone Tire & Rubber Company report for the nine months ended July 31 sported spot drawings of the "Six Fields of Firestone;" namely rubber, synthetics, metals, textiles, chemicals, plastics. By this time next year however the six will be seven; the company announced last month it would be the first US rubber company to make its own nylon filament yarn for the production of tire cord.

The yarn will be turned out at a 250-acre site at Hopewell, Va recently purchased from Celanese Corp. Structures now on the premises will be modernized and Firestone will start out with approximately 450,000 square feet of manufacturing space. Chairman Harvey Firestone notes: "With the completion of the Hopewell plant, Firestone enters another new field — synthetic fiber." Production is scheduled to begin late next Summer with a capacity of 10-to-12,000,000 pounds a year. This will fill only a portion of Firestone nylon cord requirements but the company intends ultimately to expand so it can sell its nylon to outside customers.

Current plans for the Hopewell

Nylon fiber by Firestone

facility also call for the first stage of a manufacturing unit for new wonder plastic polypropylene resin. Commented chairman Firestone: "The new facility will make it possible for Firestone to continue to broaden its research into both plastics and synthetic fibers and by entering the fiber manufacturing field we will be in a more advantageous marketing position."

The new synthetic facility is part of a program of expansion in which "over the past four years the company has spent hundreds of millions of dollars." Currently the tiremaker is in the midst of a 30-month, $55,000,000 worldwide spending spree: additional facilities to produce Coral and Diene rubbers at its Orange, Texas petrochemical center; new tire plants at Calgary, Alberta and Alocochete, Portugal; modernization of tire making facilities at Memphis, Des Moines, Los Angeles, Akron, Pottstown, Pa and Hamilton, Ontario; expansion of the Lake Charles, La synthetic rubber plant, the Pottstown plastics plant and the Magnolia, Ark defense and industrial products plant. Additional foreign tire plants are also scheduled for Buenos Aires, Sao Paulo, Valencia (Venezuela) and Bombay.

Meantime however Firestone has made a nicely expanding financial showing with its current operations in the six Firestone fields. In the nine months ended July sales increased almost 12% to $847,000,000. Earnings did even better, rolled to $44,700,000 ($5.18 a share) from $35,100,000 ($4.16)—a bounce of 27%.

Commented chairman Harvey and president Raymond: "Both sales and net income are the highest ever attained by the company for a first nine months period, although all of our domestic tire and rubber products plants were closed by strike for almost two months." And on a quick trip to Wall Street to open the company's new exhibit at the New York Stock Exchange, Raymond Firestone added: "We'll have a better fourth quarter this year than last year." In the final three months of fiscal 1958 the tiremaker earned $2.20 a share.

Firestone common now trades on the Big Board at 127, down some 15% from this year's alltime high of 151. Even so taking into account the company's operations and earnings expansiveness, the stock continues to be one of the "Street's" favorite split candidates.

SCIENCE

Perkin-Elmer Prowess

WITHIN the next few days, the 1,450 shareholders of optical instrument maker Perkin-Elmer Corp will receive an annual report which can be read without aid of rose-colored glasses. In the year ended July 31, the Norwalk, Conn company ground out record sales of \$17,500,000. This is 16% ahead of fiscal 1958, double three years ago and six times the level of 1951. Although the profit picture is not as spectacular, it too is gratifying. Adjusted for a 2-for-1 split in August, earnings on the 1,090,000 common shares totaled 80¢ a share *v* 72¢ last year.

The breathtaking growth pace of this small (\$8,000,000-assets) but widespread firm is due to its specialized capabilities — which just happen to be very much in demand. For one, Perkin-Elmer is a leading grinder of precision optics, can take credit for the fancy camera work which recorded the flights of Explorer I and Vanguard I. The engineering & optical division also produced the optics devices in the twelve satellite tracking instruments the US contributed to the International Geophysical Year.

Much of this division's work is in Government R&D contracts for such vital missile accessories as theodolites. These devices keep Atlases and Jupiters precisely aligned on the launching pad. The division also makes more prosaic telescopes, viewfinders, periscopes and aerial panoramic cameras for TV, motion pictures and astronomical observation.

Other activities are more civilian oriented, a fact which accounts for the 50-50 split between Government and private customers in Perkin-Elmer overall volume. The instrument division has been a pioneer in the application of infrared radiation in chemical analysis. Perkin-Elmer spectrometers and spectrophotometers are used in laboratories all over the world in such diverse fields as automotive research and criminology.

Headed by founder-president Richard Scott Perkin, the 22-year-old company is also up to its lenses in electronic components, makes transformers, generators and potentiometers which go both to Uncle Sam and corporate customers.

To keep abreast of European developments and to take advantage of that growing market, Perkin-Elmer has overseas manufacturing subsidiaries in England and West Germany. Their combined sales add another \$2,000,000 to the parent's volume, boost income by \$120,000. In keeping with the family's space-minded tradition the West German affiliate was recently named prime contractor for a five-year, \$30,000,000 program to produce Sidewinder air-to-air infrared guided missiles for NATO nations.

Like many fast growing scientific companies which need funds for expansion and research, Perkin-Elmer retains its earnings. A lone 10¢ dividend was paid out in 1953. Also typical of the industry, the stock is priced at an optimistic 30 times earnings based on last week's over-the-counter quotation around 24.

The Business Outlook Into 1960

The Only Elements of Doubt Appear the Steel Strike and Tight Money

IN SPITE of the longest steel strike in postwar history, business is entering the fourth quarter of 1959 with considerable vigor. Though steel output was down to a trickle in August, total industrial production was only six points below June's alltime high index of 155. Retail sales, spurred by record personal income and rising infusions of instalment and charge account credit, are holding at near-record levels. Optimism marks the spending plans of both business and the consumer.

Employment in August was the highest for that month on record, though employment figures were affected or even distorted by the steel strike. For example, a steelworker out on strike was "employed" while a worker in a plant shut down for lack of steel was "unemployed."

On the basis of past experience, most economists expect a lively post-strike rebound which will carry production to new record levels. A big push will come from steel mills as they rush to make up for lost production and as rebuilding of inventories is begun by steel users in particular and by business in general. Overall, inventories are low in relation to sales volume and a substantial increase will be required to bring them up to a normal relationship to sales.

Other favorable elements in the outlook are the expansion plans of business and the spending plans of consumers. Surveys of consumer intentions now find the consumer in a better buying mood than in the recent past, and with liberal amounts of consumer credit added to record levels of personal income, retail sales have been maintained at epic peaks for the past six months. The plans of the automobile industry to produce a total of at least 6,000,000 cars in 1959 and probably a greater total in 1960 are an indication of the optimistic view this industry is taking of what the consumer wants.

Business plans for new plant and equipment spending have just been surveyed by the SEC and the Commerce Department. Their report shows a total of \$33.3 billion anticipated for 1959, a gain of 9% over the 1958 figure. The interesting thing is the progressively higher totals anticipated in the three surveys made this year, as business has raised its sights step by step with the continuing improvement in conditions generally and in profits particularly.

Survey	1959 Total (billions)	Gain Over 1958
March	\$31.8	4%
June	32.6	7
September	33.3	9

Some business experts worry about the restrictive effect of tight money conditions on plant expansion, inventory rebuilding, housing and consumer buying of automobiles and other major items. It is already apparent in homebuilding and public construction. On instal-

ment buying the restriction is more likely to be effective through increased down payments and shortened terms than through higher rates. The fact is the majority of instalment buyers have only the vaguest notion of what rate of interest they are paying. For them the important figure is the dollar amount of their monthly repayment.

On plant expansion, it remains to be seen how much the credit pinch will force business to cut back or stretch out its expansion plans though it should not restrict whatever spending is to be financed by internally generated funds such as depreciation and retained earnings.

In sum, the current business picture is of a vigorous economy just about completely recovered from the 1957-58 cyclical recession and forging ahead to new boom levels but slowed down by the steel strike and facing problems of increasingly serious tightness of credit.

Some Good Stocks Show Steep Drops

With a 6% Dip in the D-J Averages Many Stocks are 25-to-50% Under 1958-59 Highs

DOWN was the direction of the stock market for most of the two months before presstime. Measured by the Dow Jones industrial average the descent could hardly be classed as steep since this barometer dipped only 6% from its alltime high of 678 established August 3. Yet a number of actively traded issues have fallen to half their 1958-59 highs. At much lower levels, all these stocks may seem like bargains —the catch is some may actually be so while others may drag in the doldrums for years.

Steepest drops have been in aircraft, airline, electronics and sugar stocks. Some important oil, machinery and office equipment issues also have slumped more than one-quarter. Hardly a stock has withstood the decline but the groups which have shown the most resistance have been auto, steel, retail trade, tobacco, paper & pulp, utilities and gold.

In the aircraft industry the biggest names have suffered the biggest drops—Boeing is off 47% from a high of 58 established in 1958; Douglas and United Aircraft have lost over 40%. These companies have been whipsawed between the narrow profit margins and uncertainty of defense business and high costs of writing off jet transports (IR, April 1, July 8).

Financial problems and the transition from pistons to jets are causing the major airlines considerable anguish. Their distress has been reflected in the stock market by declines as high as 32% in the case of Pan American World Airways. Four others have dropped more than 25% and most of the other majors almost as much.

Glamor Deglamorized. Electronic securities, sometimes known as glamor stocks, have come in for a market licking. Investor disenchantment has fallen impartially on

both defense and civilian electronics companies. Raytheon, Avco and Collins Radio head the list of defense percentage losers while civilian decliners include Admiral, Philco and Zenith.

In the rocket engine business, Thiokol Chemical has fallen 44% to 39. But those who bought the stock in 1958 at 12⅝ and continue to hold it may still compliment themselves on a better-than-200% capital gain.

No stock group has suffered so severely as the cane sugar growers. The Cuban rebellion has taken a heavy toll since declines of nearly 50% are common. Fidel Castro also gets the blame for the 46% nosedive of once-popular American & Foreign Power (the Cuban leader slashed electric rates).

Some makers of office equipment have been hurt by the flood of foreign-made typewriters and other machines. Smith-Corona Marchant has retreated 39% from its 1958-59 high while Royal McBee and Under-

SOME SHARP STOCK DROPS . . .

	1958-9 High	Recent Prices	% Decline
AIRCRAFT			
American Bosch Arma	39	28	28%
Bell Aircraft	24	15	38
Bendix Aviation	89	63	29
Boeing Airplane	58	31	47
Chance Vought	55	26	53
Douglas Aircraft	74	43	42
General Dynamics	67	46	31
Grumman Aircraft	30	22	27
Lockheed Aircraft	39	27	31
Martin	62	37	40
McDonnell Aircraft	49	32	35
North American	52	33	37
Republic Aviation	29	18	38
Temco Aircraft	20	12	40
Thompson Ramo Wooldridge	73	54	26
Twin Coach	17	12	29
United Aircraft	69	39	43
AIRLINES			
Braniff Airways	18	13	28%
Capital Airlines	23	15	35
National Airlines	29	20	31
Northwest Airlines	46	34	26
Pan American	35	24	32
AMUSEMENTS			
Columbia Pictures	24	18	25%
Disney (Walt)	59	37	37
Emerson Radio	26	15	42
Twentieth Century-Fox	43	32	26

	1958-9 High	Recent Prices	% Decline
BUILDING MATERIALS			
American Rad & Standard	18	13	28%
Lehigh Portland Cement	39	29	26
National Gypsum	71	53	25
US Plywood	58	42	28
Walworth Company	18	13	28
CHEMICAL			
Celanese Corp	41	29	29%
Industrial Rayon	30	20	33
Thiokol Chemical	72	40	44
ELECTRONICS			
Admiral Corp	29	20	31%
Avco Corp	18	14	27
Collins Radio	40	29	28
Hoffman Electronics	37	24	35
International Tel & Tel	45	33	27
Philco Corp	36	25	31
Raytheon	73	46	37
Siegler	45	26	42
Zenith Radio	136	96	29
FOODS			
Cudahy Packing	17	12	29%
Pfeiffer Brewing	6⅜	4½	29
United Biscuit	37	24	35
United Fruit	50	28	44

vood have lost just over 30% of heir recent high market values.

Trouble has also come to the oil ompanies as world surpluses have quashed prices and eroded profits. Amerada Petroleum has yielded 32% of its high, Continental Oil, Cities Service and Pure Oil 25%.

Fruitless Quest. One of the teepest single drops has been in tock of United Fruit—off 44% rom its 1958 high of 50 to a low of 28⅜. Besides blow-downs, na-ionalistic blow-ups and tougher competition, United Fruit also has had trouble with Castro. A loss of 48% has been experienced by National Can. The stock has dropped from 16¼ to 8½.

A company having specialized problems of its own is H L Green Company, which has seen 47% of its 1958-59 peak price ebb away in the wake of charges of financial irregularities by a company official.

Widespread Woes. In terms of people the recent stock decline has had its worst effect in the stock of

. . . SINCE 1958-59 HIGHS

	1958-9 High	Recent Prices	% Decline
MACHINERY			
Bucyrus-Erie	35	24	31%
Bullard Company	24	17	29
Dresser Industries	46	32	30
Fairbanks, Morse	43	30	30
Foster Wheeler	49	33	33
Halliburton Oil Well Cementing	71	51	28
Ingersoll-Rand	109	82	25
Reed Roller Bit	27	20	26
Sundstrand Corp	38	27	29
Thew Shovel	31	20	35
METALS			
American Metal Climax	34	23	32%
Bunker Hill	14¾	10⅛	31
US Smelting, Ref & Min	41	29	29
NATURAL GAS PRODUCERS			
Republic Natural Gas	36	24	33%
Western Natural Gas	23	15	35
OFFICE EQUIPMENT			
National Cash Register	86	56	35%
Royal McBee	25	17	32
Smith-Corona Marchant	23	14	39
Underwood Corp	30	20	33
OIL			
Amerada Petroleum	114	78	32%
Cities Service	64	48	25
Continental Oil	69	52	25

	1958-9 High	Recent Prices	% Decline
Getty Oil	30	20	33
Pure Oil	48	36	25
RAILROADS			
Chi & North Western	33	21	34%
Delaware, Lackawanna	12⅞	9⅝	25
Lehigh Valley	10⅞	7¼	33
NY, New Haven	12⅜	6¼	49
SHIPBUILDING			
Newport News	50	37	26%
Todd Shipyards	43	26	40
SUGAR			
Central Violeta	29	16	45%
Francisco Sugar	14¾	7⅜	50
Manati Sugar	8⅜	4⅝	45
Vertientes-Camaguey	14⅜	7½	48
West Indies Sugar	68	40	41
MISCELLANEOUS			
Abbott Laboratories	84	63	25%
ACF-Wrigley Stores	24	14	42
Am & Foreign Power	19	10	46
Associates Investment	96	67	30
Case (J I)	26	18	31
Congoleum-Nairn	15⅜	10½	32
Gabriel	33	18	45
Green (H L)	47	25	47
Mc-Crory McLellan	20	15	25
National Can	16	8½	48
US Tobacco	32	24	25
US Vitamin	52	34	35
West Kentucky Coal	24	18	25

American Telephone & Telegraph with about 1,650,000 stockholders. The stock is off 12%, just twice the drop in the Dow Jones average. But the $11 a share price decline times the number of shares outstanding (212,000,000) is a loss of $2.3 billion, or an average of $1,413 a stockholder. This overstates the average loss because so many owners keep their certificates in "Street names."

A happier side of the story is in stocks of autos for instance. The doughty challengers of the Big Three, American Motors and Studebaker-Packard, were at their 1958-59 highs at presstime while Ford was off only 5%, GM 7% and Chrysler 13%. The shares of the biggest steel companies, struck though they were at presstime, had slipped only 5-to-13% from their 1958-59 highs.

APPAREL
McGregor-Doniger Attire

THE CASUAL air one would associate with leisure time clothes permeates the executive headquarters of McGregor-Doniger Inc at sleek 666 Fifth Avenue. Example: the formal board room has been abandoned as "an unnecessary use of valuable space." In its place the No 1 producer of men's and boys' sportswear has a McGregor plaid-draped room with the atmosphere of a club for customer and executive discussions.

The relaxed club climate carries over to company showrooms where functional "workshops" replace conventional sales facilities. Hallways have been transformed into "Fashion Avenues" mirroring various renowned clothing centers like London's Bond Street and Rome's Via Condotti.

President William Doniger of the 38-year-old plaid-minded company comments: "We are convinced it is not enough simply to sell our product to retailers. Our merchandising program is essentially one of extensive cooperation with our customers to help them increase their selling potential." He adds: "The result will be a continued sales increase for us."

Latest measure of the effect of McGregor informal appeal: in the first six months of 1959 sales increased 6% to $20,400,000. Roughly half of these sales came from a few basic items: sport shirts, outer jackets and slacks which are volume leaders year after year. The other half comes from a wide range of casual apparel which includes swim trunks, tennis clothes, knitted sport shirts and sweaters and a complete line of boys' sportswear.

McGregor's relaxed look also brought forth improved profit margins as first half earnings jumped 30% to $483,000 or 47¢ a share from $372,000 (36¢) a year ago. President Doniger adds: "The improved earnings continue in the second half of the year which traditionally produces the greater portion of our sales volume and profits."

Thus he expects a decided reversal in the slide (mild considering general industry problems) which saw McGregor sales slip from $52,500,000 in 1956 to $46,300,000 last year while profits eased from $1.76 a share in 1955 to $1.52 last year.

FOREIGN FRONT
Express Influx

THE PRESENCE of Nikita S Khrushchev on our shores was the prime example of a new trend likely to prove increasingly important to US business: reverse tourism. More & more foreigners are visiting the US, paying their currency for US goods & services and perhaps even bringing back some traveling dollars they may have earned from this country's wide-ranging tourists.

The number of foreign travelers to the US is running at the rate of 1,100,000 this year, exclusive of Canadians, compared with 848,000 in 1958. In dollar & cent terms, foreign tourists are pouring around \$1 billion annually into the coffers of US businesses, roughly half of what US tourists are spending abroad.

In a key position to benefit from reverse tourism is the staid & stately American Express Company with its long reputation for being the friend, protector and often the daytime home of the American abroad. The company has established special offices in 15 foreign countries to work exclusively on selling and promoting travel to the US. It uses US sales, advertising and promotion methods for the purpose. Hundreds of thousands of pieces of American Express-written literature describing US tourist attractions in the native language of the beholder have been distributed to potential travelers from afar.

A growing number of overseas visitors such as the camera-bearing Russian gentlemen pictured here admiring Columbia University's Alma Mater statue in front of the Pantheon-like university headquarters (misnamed Low Memorial Library) attest to the effectiveness of American Express' promotional endeavors.

Naturally all the traditional American Express services—travelers cheques, currency exchange, overseas banking and packaged tours—are available for the incoming tourist trade. But American Express health is good even without "reverse tourism." Travel sales are running 14% ahead of a year ago; travelers cheque sales are up 9%.

These are by no means comparisons with a lean 1958. Gross operating earnings last year were up 9.7% over 1957 and earnings (\$3.42 a share in 1958) have risen every year at least since 1950 when a company reshuffling first resulted in an annual report addressed directly to shareholders.

Doing some traveling into new

American Expressed Russians

territory on its own American Express entered the credit card derby just a year ago (IR, Dec 10, 1958). It now reports billings of its 700,000-plus card carriers are running at the rate of almost $100,000,000 a year and are still on the rise. Better still the new venture is expected to move into the black this month. To reach its big spending New York clientele American Express recently signed up for three pages in the Manhattan classified telephone directory to list the over 800 local firms honoring American Express credit cards.

Pleasant result of all this striving: president Ralph T Reed predicts earnings will be "substantially ahead" of 1958's $3.42—but not ahead enough to reach $4 a share.

FOODS
Grounds Grounded

THE CRAVING for convenience is taking its toll in coffee. Soon those who say the only way to savor the full flavor and aroma of the roasted bean is to use the ground variety may be considered, in the language of youth, squares.

The fact is instant coffee has by now taken over one-third of US coffee consumption and, even more surprising, captured virtually half of the Canadian market. This is the word from a man who should know, vice president Chauncey W Cook who heads the Maxwell House division of General Foods Corp.

Coffeeman Cook adds: "From figures available to us consumption of ground coffee and tea in both the US and Canada is barely keeping pace with the growth of the population." By contrast, instant sales since 1951 have multiplied ten times in Canada, six times in the US.

As to the reasons for Canada's far stronger instant reaction, executive Cook shed this bit of light: Canadians drink 63 cups of tea for every 37 of coffee; for US citizens it is 81 of coffee *v* 19 of tea. Apparently tea drinking Canadians like "faster" coffee than Java-conscious Americans.

UTILITIES
A Dash of Oil

SECURITY ANALYSTS like to coin nicknames for the companies they study. Lately they have come up with two new ones for Montana-Dakota Utilities Company: "the brains of the Plains," and "the utility with a soupçon of glamor." Last fortnight two of the top brains of the company, president Cecil W Smith and vp & treasurer Frederick R Gamble, flew in from the Plains to tell New York analysts about their company's glamor.

Montana-Dakota (IR, June 11, 1958) got the jump on oil seekers in the Williston Basin when it struck oil while drilling for natural gas. Now Montana-Dakota is getting its first hard cash returns, expects to earn 17¢ a share on oil this year. Adds Cecil Smith: "When a full year's income is available, it is estimated it will amount to approximately 40¢ a share." Actual exploration and drilling is done by Shell Oil under long-term contract.

Oil is not Mon-Dak's only sideline. Wholly owned subsidiary Knife

River Coal Mining produces lignite, a not-too-hot form of coal which nevertheless is good for industrial uses—particularly the company's own steam generating plants. Another by-product of its extensive land interests is bentonite, a fine clay with chemical and oil drilling uses.

Main activities of the company are natural gas and electricity. They contribute 55% and 43% respectively of total revenues, an unusually close balance in a utility marketing both power media. All told Mon-Dak serves 87,000 gas and 73,000 electric customers in a territory which includes eastern Montana, the Dakotas and a pinch of Wyoming.

As he outlined Montana-Dakota's fiscal prowess, former champion figure skater Fred Gamble etched some smooth figures. Samples:

- Earnings should be $1.75 a share this year *v* $1.65 a year ago. This does not count 17¢ a share held in bond pending decision on a company appeal of an adverse rate decision; company lawyers believe a reversal is possible.
- Total revenues rose from $21,890,000 in 1954 to $29,430,000 for the twelve months ended June 30. The money held in bond could swell this 35% increase to 40% or about 9% a year.
- Construction outlays should total about $6,000,000 in 1959 *v* $10,700,000 in 1958. An increase to $7,500,000 is planned for 1960 and "no work is being deferred because of the currently unfavorable money market."
- Mon-Dak expects to have enough cash to last until 1961 when it expects to raise $10,000,000 by selling either stock or convertible securities.
- The present dividend rate of $1 a share will remain "undisturbed" pending the rate decision but Fred Gamble noted it is about 57% of net compared with a ten-year average payout of 71%.

Montana-Dakota stock is currently selling around 29 on the Big Board, off from the alltime high of 35 set earlier in the year. This decline reflects three things: 1) the overall stock market decline; 2) the greater decline in oil & gas stocks; 3) the pending rate decision.

Stating his belief the best is yet to be for the versatile utility, spokesman Gamble says population growth and industry's search for cheap power and ample water "offer unlimited opportunity for expansion in this, one of the country's few remaining industrial frontiers."

WALL STREET
Investigate—Then Invest

PRETTY GIRLS, fast talk and pot o' gold promises still trap thousands of unwary investors. One of the latest cases involves a Long Island promoter who used cute secretaries and receptionists to help peddle $500,000 of phony stock. One issue was an amusement park, another a heating firm and the third a non-existent Canadian race track. Said a State attorney general: "One of the most ruthless, high-pressure, boiler room and bucketeering operations in recent years."

WE HEAR FROM . . .

European Market

GENTLEMEN: MAPLEWOOD, NJ

The article "The Old US and the New Europe" (September 16) is excellent and timely. Many American firms are finding their export markets dwindling because of high labor costs.

The American manufacturer has three choices: 1) to establish one or more wholly-owned subsidiaries, 2) to enter into a joint venture with an established European company, 3) to license his product for foreign manufacture and sale. The small manufacturer is usually limited to the third choice, that of licensing. Larger firms employ all three methods.

While a license does not give the same control of sales, business practices or quality as do subsidiaries or joint ventures, there are compensating advantages. The licensor is free from labor problems, financing, credits, inventory control and many other management difficulties. Moreover, the royalty rate may approximate his normal profit after taxes. In addition there can be valuable feedback of design improvements.

Very truly yours,
JOHN L ALDEN, consultant

Russian Lesson

GENTLEMEN: ANTRIM, NH

Your short introductory item on August 19 says the title of the Big Board's movie "Your Share in Tomorrow" came out in Russian for the Moscow show as "A Share in Tomorrow." However, as I recall, the Russian language has no articles. So "Chast Zaftri" as they probably called it could mean also "The Share of Tomorrow" or simply "Tomorrow's Share." The latter is probably what *Pravda* meant it to mean. Share of what?

Very truly yours,
HAROLD FLEMING

Learned New Englander Fleming is quite right; there are no articles in Russian. While somewhat more formal than the Fleming rendition, the actual title used for the show (which incidentally was translated not by *Pravda* but by an American agency hired by the Big Board) of "Dolia V Zavtrashniem Dnie" could stand for either "A Share," "The Share" or just plain "Share of Tomorrow's Day."

In any case it would have to be "Vasha Dolia" to make it "Your Share." But the title hardly seemed to matter to the eager Moscow viewers. As one of the US guides told IR, "As for everything they put on over the color TV, it was so jammed you couldn't get near a set."—*Ed.*

Pepperell Operations

GENTLEMEN: BOSTON

We were, indeed, most pleased with the article concerning Pepperell and its products in your August 19 issue. Since your article did contain a number of specific facts and figures, we do feel obliged to point out several small inaccuracies that crept in.

The 1959 fiscal year *operating* net was the *highest* operating net in six years—not the second highest as you stated. The \$5.18 per share earnings of fiscal 1957 included 43¢ nonrecurring income. Thus *comparable* 1957 earnings were only \$4.75 per share. In our 1959 annual report our president, Mr. Parsons, says, "Our sales gradually increased during the entire year in line with the industry and finished with dollar sales the second highest in the company's history and the best operating profit * * * in the last six years."

Your article states, "Earnings unraveled from a high of \$8,980,000 or \$18.48 a share in fiscal 1948 to only \$1,840,000 (\$3.79 a share) in the June 1958 year." Again, the nonoperating income of \$1,000,000 (\$2.06 per share) in 1948 should have been eliminated * * *.

Two other minor points: 1) We have close to 6,900 stockholders rather than the 6,600 you mention, and 2) your reference to "combed nylon" [sheets] could more properly read woven nylon, since nylon is not combed.

Very truly yours,
F D STRONG, Controller
Pepperell Manufacturing Company

American Can Works to Upgrade Profits

Cost Cutting and Product Development Wrap Neat Container Package

THE TALL MAN leaned back comfortably in his chair. With a delighted smile on his deep-tanned face, he said: "The experts didn't believe us when we told them that operating economies would offset the price cuts we made." The speaker was William C Stolk, president of \$850,000,000-assets American Can Company which lowered its metal can prices last December and again in March by a total of \$15,000,000 a year. The action also cut prices on the NYSE where "AC" common dropped more than ten points from last Fall's alltime peak of 52⅜. In recent months the stock has steadied at these lower levels. Last week it sold around 43 for a 4.7% yield (\$2.00 annual rate).

Price cuts or no, AC went right on to set new records in the first half of 1959. On a 9% rise in sales to somewhat over half a billion, the company boosted profits 20% to \$21,490,000 or \$1.28 a share *v* \$1.07 in the first half of 1958.

But since sales of metal food containers (the products on which the cuts centered) are heavily concentrated in the summer & fall, might the price slashes not have a more serious effect on the third quarter? The smile widened: "The experts are dying hard, aren't they? We will just have to prove them wrong again, I guess."

Third quarter figures are not yet in but Bill Stolk commented: "During this period our results are primarily influenced by crop conditions (corn and tomato products are easily the most important can users) and they have been pretty good this year." So he feels profits should compare well with the strong \$1.17 a share third quarter of 1958.

The steel strike had little impact on AC's third quarter. The large can companies reputedly had built up just about the best supply position in any industry; in any case, Bill Stolk says the can-making Canco division should be able to operate well into the current quarter without having to rely on resumption (temporary or permanent) of domestic steel production.

Hold That Line. Just the same, president Stolk is vitally concerned with a steel settlement since: 1) along with assuring supplies, the terms will also largely determine the price he will have to pay for the basic can raw materials; 2) Canco's own contract with the Steelworkers ran out September 30, has since been extended temporarily pending the outcome of the basic steel dispute. Although the can companies in the past have generally followed the steel wage pattern, president Stolk feels strongly AC should not be expected to match any pay raise the steel companies may grant. He insists: "We're a

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COVER PICTURE: Bradley-Sun division boss C L ("Bud") Alexander shows president Stolk some of wide range of Bradley plastic products.

different industry with different conditions."

Aside from his own efforts to hold the line, the 59-year-old can maker has spoken out stoutly against any inflationary steel settlement. "* * * * a higher price for steel would wipe out all the cost cutting we've been able to accomplish and pass on to our customers."

He warns the threat is not only inflation but stronger foreign competition for steel; the days when any cost increases can blithely be passed on to the customer are gone. "Santa is dead and steel unions & management will have to face up to it."

Canco has started to shop abroad. Since August it has bought some tinplate for delivery in Seattle (where overland transportation costs for American-made steel are high) from a Welsh company, is also getting steel from Japan.

Bill Stolk also has personal experience with imported steel products. He illustrates: "Why the other day on my farm in Virginia I drove into town to buy some ordinary nails. And when I looked at them I found they were from Norway." Not that president Stolk is worried about can competition from abroad. "We're primarily in the business of shipping air. Until someone invents a jet conveyor belt, transportation charges would be prohibitive for any can importer."

Buy Our Cans. But AC has been seriously bothered about the do-it-yourself tendency of can users. "They can get tinplate from the steel companies at the same price we must pay; consequently some canners have been tempted to get some canmaking machinery and stamp out their own supply."

Canco's chief answer is its recent $32,000,000 investment in coil processing facilities, first put on the production line in 1957 and now capable of supplying 85% of the company's can output. Instead of tinplate sheets, precut and inspected by the steel producer, Canco now buys its steel in 16,500-pound coils, uses its own machines to automatically process, inspect and cut it. This not only saves processing costs and provides flexibility in sheet sizes but also "we can control the sheeted length from our coils to 5/1000th of an inch tolerance while the purchased sheets have a tolerance of ¼ inch."

Furthermore "8-to-10% of the coil is 'secondary material' which the machine automatically rejects for use in cans but most of which we are able to use in our other operations. In fact, you might say the only part of the coil we don't use is the hole. All this enables us to produce quality at lower cost, thus discourage our customers from trying to set up their own can plants."

With these Canco savings passed on to the customers, Bill Stolk states triumphantly: "We've taken all the glamor out of self-manufacture and what's more, the financial inducement."

The company is also working on further potential economies — by handling additional steps such as can lithographing and printing. But "the economics do not indicate

further vertical integration [into steel production]. We had an exhaustive study made a few years back and found even if our needs could be satisfied by building one mill, this would have required at least a $1 billion investment—which is just too much money. Besides a single steel source would not be feasible since transportation costs for our air-filled finished cans require decentralized plants all around the country." The company now operates 61 can plants and 74 other manufacturing plants and labs for its diversified container lines.

Metal cans enjoy a natural growth factor as a container for foods and sundry other consumer and industrial products; AC seeks to further boost this volume through development of new markets. It is eager to develop canned soft drink demand, rejoiced when Coca-Cola started to market test a can this summer.

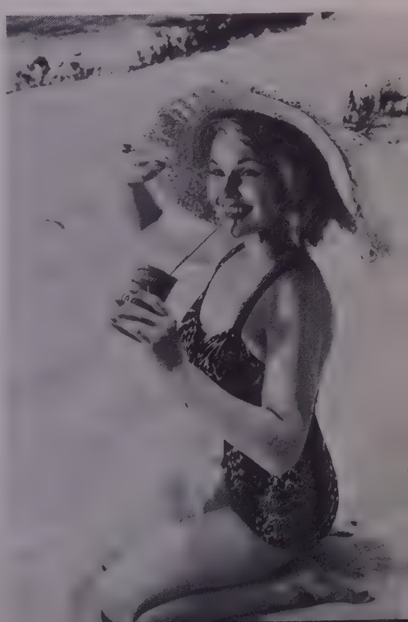
Bill Stolk comments: "It's important we get the answer whether the consumer is willing to pay a premium for one-way soft drink containers." As in beer, the single-use can costs a penny or two more than the returnable glass bottle "but it's a question of a premium for non-return and storage convenience. This should be very attractive when you consider around a third of the housewives also go to work and can't be bothered to get containers back to the store."

Metal cans presently represent nearly three-fourths of AC's total business and "I don't think we'll live to see the day anything replaces the good old metal can especially for many foods and beer. It's economical and takes abuse in handling." But while "metal will always be a solid base on which our business is built—and mind you, it will also grow faster than the gain in population—I frankly believe the biggest growth is in plastic and paper containers or combinations. Flexible packaging, aluminum foil, and the like belongs in this category too."

AC moved strongly into plastics with the 1956 acquisition of what is now the Bradley-Sun division which makes polyethylene squeeze tubes and bottles as well as collapsible metal tubes for toothpaste, shaving cream and the like.

"We're doubling our facilities at Bradley. In this and our other divisions we have lots of exciting new

Cola cans are convenient



developments under way in plastics. At Dixie Cup for instance we have a plastic-coated paper—you can pour 140° coffee into a cup and hold it in your hand. Similar insulating properties can also be applied to things as far apart as doilies and bathroom slippers. It's difficult to predict how far such new materials will go."

AC also eagerly researches many other container developments. Like alert manufacturers in many lines, "we are always seeking to upgrade our products; there is more profit in more advanced-type goods where you put in extra work to create extra convenience for the user." One new product about to come on the market is a new aerosol container "in which you keep the gas separate from the products. It opens new vistas for aerosol use with products like mustard, catsup and chili sauce."

In rounding out its participation in the container and packaging line, AC acquired Dixie Cup and papermaker Marathon in the past few years. Its own Canco division, aside from metal cans, has long been a leader in paper milk containers.

But one container field it has shunned is glass—though chief rival and No 2 can maker Continental Can went into this business through acquisition of Hazel-Atlas in 1956. Says Bill Stolk: "We considered glass very seriously some time ago but concluded we would gain nothing since the fields we are in are all competitors of glass and we figured we could do a better job with them."

Nor are other mergers in early sight. "It's always possible but I can't imagine what fields we might be interested in going into at the moment. For instance, we can buy corrugated containers for less than we could make them."

So veteran canmaker Stolk (he started as an AC timekeeper in 1916, left to become a War I sergeant, returned to the company as a salesman in 1920 and worked up to the president's job in 1951), is content with the growth possibilities of his present setup. He recognizes AC sales have more than doubled in the past decade (better than $1 billion in both the past two years) and net income has risen from $27,700,000 in 1949 to $46,400,000 last year. But because of stock issued for acquisitions, earnings a share have not shown any great advance with last year's $2.78 still well below the $3.17 high of 1950.

But he is convinced "our future looks brighter. For the last six, seven years we have been building for just this situation. We have a price structure which doesn't encourage self-manufacture by customers. Our capital expenditures (over $400,000,000 in the last ten years) are pretty well behind us; they'll run $46-to-48,000,000 this year but barring a huge upsurge in canned soft drinks which would require large new facilities, our expenditure needs should be a lot smaller the next few years. All in all, we should start reaping the broad benefits of what we have plowed into the business."

Bigger Prefab Family in National Homes

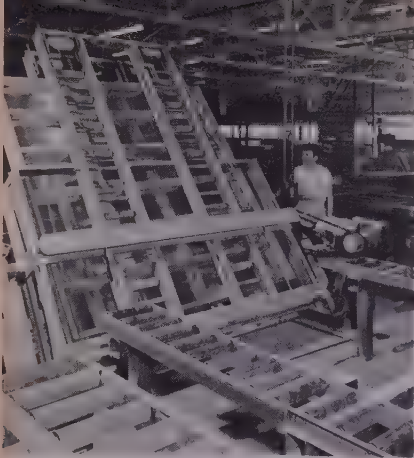
Acquisitions, Teamwork and Aluminum Houses Give Boost to Industry Leader

AMIDST the rich corn fields of central Indiana, a mile from its Lafayette home-base and main manufacturing plant, No 1 prefabricator National Homes Corp a fortnight ago held a gala open house party to introduce its 1960 line of aluminum Viking homes. Featured at the day & a half Midwestern press party were 15 new National "care-free" houses which sport a "revolutionary" permanent non-sheen lucite acrylic finish on aluminum roofs and sidings as well as aluminum gable ends, gutters, shutters, windows and doors.

Chairman Jim Price points out the first Viking house introduced by National last January "brought a new standard of 'maintenance-free' housing to the American people." He continued: "The new non-sheen finish on our 1960 Viking * * * makes our homes truly care-free. The aluminum homes need not be repainted and the reflective power of aluminum serves to keep homes one-third cooler in summer and far warmer in winter, thus further reducing maintenance costs."

The 48-year-old chairman is highly pleased with the aluminum showing to date. He reports a recent check on National homes sold in Chicago showed 330 out of 354 were aluminum. He credits the metallic prefabs for a substantial boost in company sales. But the principal propulsion from the $55,300,000 volume reported last year to an expected $100,000,000 (pro forma) in 1959 comes from a dramatic expansion in National's family of prefabricators.

Vice president Frank Flynn states: "We started thinking about acquiring some companies in May. We were not interested in assets but rather how much a company could contribute to earnings." The result: in August National engineered a merger with no less than six other pre-fabricators. They included a leading builder Knox Corp of Thomson, Ga (which brought along a seventh company, Pennsylvania's American Houses which it had purchased shortly before); Lester Bros of Martinsville, Va; Best Factory-Built Homes of Effingham, Ill; Fairhill Inc of Memphis; Thyer Manufacturing Corp of Toledo and Western Pacific Homes of Decoto, Cal, "our first West Coast outlet." The acquisitions cost National a total of 737,000 class A common shares plus $479,000



National home amaking . . .

in cash for the purchase of Thyer.

On its own National accounted for 23,800 units last year or 43% of total prefab sales. Now Frank Flynn figures "National will have 70% of the 1959 prefab market." He estimates National itself will produce 30,000 units this year, the new members of the family another 12,000.

However even with its busy schedule and new acquisitions National's estimated 42,000 units will account for less than 4% of the total 1,300,000 housing starts estimated for 1959. Frank Flynn explains optimistically: "Today prefabs account for only about 7% of the total private housing market but the years ahead will see this figure increase to 50%."

New Markets. In addition to such bright forecasts for the future, Frank Flynn sees immediate prospects for some new types of prefabs. "Every builder will see the need for schools in his developments. Prefab schools can be economically built and maintained. They can be easily expanded by the addition of new units. This is as yet an untouched market for our prefabs." Motels are another new area for National's "manufactured homes" (the industry is trying to abandon the word "prefab").

As for building abroad vp Flynn notes "the Canadian and European markets are available." But he admits "National must consolidate and integrate its new acquisitions into domestic operations." This does not preclude National's "looking about for new mergers, preferably in fields unrelated to housing." He explains: "We don't want to start competing against ourselves."

National Way. The "National Way" into which new acquisitions will be integrated is itself a very integrated operation. The company supplies builders with a packaged home: a house and all that goes into it—flooring, plumbing, etc.

The National Way shifts into gear the moment a builder-dealer finds a tract of land he wants to develop but cannot afford to finance. National president George Price (chairman Jim's brother) studies the proposed home site. If he decides it has promise he signs a contract with the builder for the immediate development of the land. Through one of its 14 land-financing subsidiaries, National lends 50% of the land acquisition costs to the builder plus 75% of the cost of developing sewers, water mains and roads.

As the development gets underway, National supplies the money for the development of two more sites for every house sold. Jim Price com-

ments: "Financing for land and site development continues to be an important factor in our growth * * * as a result of it we are attracting a number of major builders."

The second step in the National Way is the gala opening of show houses as soon as the builder starts grading. National supplies its builder-dealers with all the merchandising know-how (plus promotional advertising money) at its command. This includes appropriate banners & signs; the most suitable brand name furnishings; National salesmen to help sign up buyers.

As soon as the builder starts selling houses the third step in National's mass merchandising scheme gets underway. National Homes Acceptance Corp, a subsidiary set up in 1947 to act as a mortgage banker takes over. Vice president Flynn who is chief of the subsidiary says: "Our NHAC mortgages are all FHA or VA mortgages but we are not in competition with local mortgage bankers. Our operations fluctuate depending on the availability of funds and whether money is tight or loose. Contrary to popular opinion National does not need money now. Our commitments for loans will cover the houses we plan to build and sell in the months ahead." He adds: "I see the easing of the tight money market by July."

When a mortgage is approved and the builder sends in his order National gets production of the house underway (the company maintains no inventory). In ten days the house arrives on the building site and the same day the shell is erected. Within

. . . National home abuilding

three weeks the house is completed and ready for occupancy.

Old Troubles. But this smooth National set-up does not always move with such faultless ease. The chart on page 17 points up the wide stock fluctuations reflective of buildings booms and troughs and their up & down effects on National earnings. Adjusted for a long series of stock splits and stock dividends, National class A voting common shot up in the over-the-counter market from less than 1 in 1950 to 19 in 1954, then dropped back to 8 last year but now trades around 18.

After acquisitions there are now 2,496,000 shares of class A voting common and 1,878,000 non-voting class B shares. In addition there is $15,000,000 in convertible debentures which represent a potential addition of 927,000 shares to the class B stock plus privately held notes with warrants convertible into 361,000 shares of B stock.

Adjusted pro forma for the new acquisitions total 1958 sales came to

$86,900,000 and earnings to $3,970,000 or 91¢ a share (National alone earned 94¢ on its shares).

In the first half of 1959 higher materials and labor costs plus acquisition expenses held profits down. But with the company now in its seasonally best quarter the second half should show an improvement.

Looking ahead Jim Price feels "the outlook for the remainder of the year is good." For the future: "On the basis of the estimated earnings of our new acquisitions, it is expected National Homes earnings a share will be improved substantially." But as in 1957 when earnings dropped to $1,960,000 from $2,250,000 earned in 1956, the slowdown in housing starts, restrictive credit and shortage of funds may again shade National's optimistic earnings blueprints.

Rockwell Manufacturing Line-Up

President Al Reports on Acquisitive Company's Doings In Meters, Controls, Tools

ON A QUICK one-day trip from homebase Pittsburgh to Manhattan late last month president Willard Frederick ("Al") Rockwell Jr of Rockwell Manufacturing Company reported: "Roughly 40% our total sales now come from companies we have acquired since 1945 and we plan to continue to expand in this way." Altogether Rockwell has acquired 14 companies in the past 14 years and its product roster has been expanded to 25,000 variations of 125 individual metal items.

For simplicity the company classifies its output in three general categories. Into the metering division fall gas & water meters, petroleum & industrial liquid meters, taxi meters, parking meters and voting machines. In the controls category come Rockwell valves and regulators used in transportation of liquids and gases. The third class of products, light power tools, are used in industrial and commercial shops as well as in school and home workshops.

However "Al" Rockwell says his company is not "simply interested in getting bigger. We believe in related diversification and so we purchase a business (preferably for cash) with products which will complement the ones we already have." This philosophy of dovetailed diversification is not new; it goes back through the history of Rockwell Manufacturing and also that of the strictly separate Rockwell Standard Corp which was the first in the financial empire founded by Al's father, Lieutenant Colonel (Ordnance Reserve) Willard Frederick Rockwell Sr.

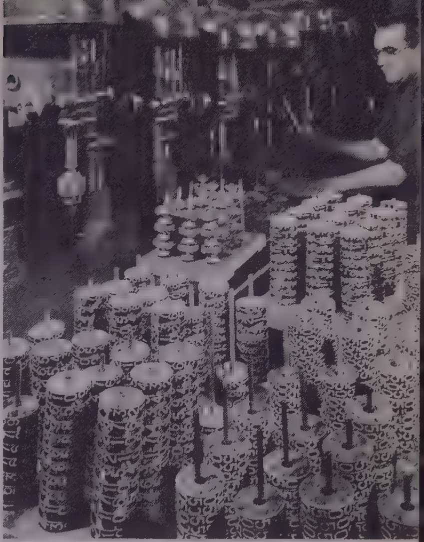
The 71-year-old Colonel now serves as chairman of both companies and both Al and his uncle Walter (finance chairman of Rockwell Manufacturing) hold seats on the Rockwell-Standard board. But while the Rockwells still control 20% of the stock in over-the-counter traded Rockwell Manufacturing, they hold less than 2% in Big-Board-

listed Rockwell-Standard which is run by non-family president C J Queenan. Al Rockwell emphasizes: "The only relation between the companies is historical."

The Rockwell industrial story started on the Standard side. In 1919 MIT-trained Colonel Rockwell bought the Wisconsin Axle Company. Barely a year later the business ran into rough going, aggravated by dumping of surplus Army trucks on the market. Rockwell saw the need for and advantages of diversification—the view he has followed ever since.

In 1929 when Timken-Detroit Axle took over Wisconsin Axle Colonel Rockwell stayed on to run the subsidiary. When the parent's progress stalled four years later Rockwell in turn took over as president of Timken-Detroit. He continued to diversify his corporate positions and in 1935 he assumed the presidency of auto parts maker Standard Steel Spring. In 1953 Timken-Detroit and Standard were merged to form Rockwell Spring & Axle which last year was again rechristened to the present Rockwell-Standard.

Equitable Start. Meanwhile in 1929 the Colonel set out on an additional corporate path when he assumed the presidency of Pittsburgh gas meter maker Equitable Meter Company, forerunner of today's Rockwell Manufacturing. In 1927 the company became Pittsburgh Equitable Meter after it took over a division of Westinghouse Electric which brought in a line of water meters to complement the original



Delta tools finish Rockwell meters

gas meter business. Today the company is one of the largest producers of gas & water meters in the US with municipalities and utilities as big customers.

Logical extensions to the meter line were parking meters added in 1947 by purchase of the Macnick Company of Tulsa and enlarged nine years later by the acquisition of Dual Parking Meter Company. Taxi meters joined the Rockwell product family in 1946 when the company took over Ohmer Corp; Rockwell is now the world's No 1 taxi meter maker.

Last year the company added still another division to its metering totals with the cash acquisition of Automatic Voting Machine (IR, Oct 29, 1958). Automatic is the biggest producer of voting machines and "in the 1960 presidential election we naturally expect the regular cyclical peak in this department." Automatic

also makes Aetna Drivotrainer equipment (sponsored by the Aetna Life Affiliated Companies). A kind of Link Trainer for groundlings, the Drivotrainer is equipped with steering wheel controls, pedals, etc to simulate the responses of a car. It enables would-be motorists to become familiar with driving techniques before hazarding horsepower. Al Rockwell describes this as a "dream product" for the device "is protected by patent and has no competition."

The company's second broad category of products (controls) was actually born in 1927 with acquisition of the Westinghouse division. In addition to the water meters this unit made a line of regulators to reduce gas pressure to a working level. But the real boost to Rockwell controls came in 1932 when the Colonel bought Nordstrom Valve Company of Oakland which made lubricated valve plugs for the gas & oil industry. Today Rockwell-Nordstrom is the leading producer of these valves.

Another dovetailing line, Rockwell-Edward valves (added in 1945), is used for high-temperature, high-pressure service in power plants and nuclear submarines. A third unit, Republic Flow Meters of Chicago (purchased in 1957), makes electronic control equipment. Al Rockwell explains: "With its background in the production of flow control and measurement devices, this company provided an excellent source of supply for mechanical valve operators for our valves. Also with its background in electronic control instrumentation, it provided us with a handy window on the electronics field itself."

Broad Label. Constantly widening interests prompted the company in 1945 to switch to its present name. Explains Rockwell veteran Rockwell (he came to work for the firm in 1935 after graduation from Penn State and a stint at University of Pittsburgh graduate school, became president in 1947): "We needed a broader label to reflect the wider scope of our operations." The 45-year-old executive continues: "The diversified operations are really one of our greatest strengths. With a large family of products sold by one sales force you can upgrade the sales management and cut overhead because of the larger volume."

This again proved the case when the company added power tools, its third general product category, in 1945. The Delta Power Tool Company was the first step, then eight years later came Beaver Power Tools of Guelph, Ontario. The tool list was again expanded in 1956 with the purchase of Walker-Turner Power Tools and Rockwell now offers "the world's most complete and comprehensive line of power tools."

Each of the three broad product classes "contributes about a third to total sales." But this unified diversification did not insure complete recession-resistance last year; sales declined 13% to $107,000,000 while earnings dropped from $9,700,000 ($2.80 a share) to $7,400,000 or $2.14 a share.

However Al Rockwell feels with-

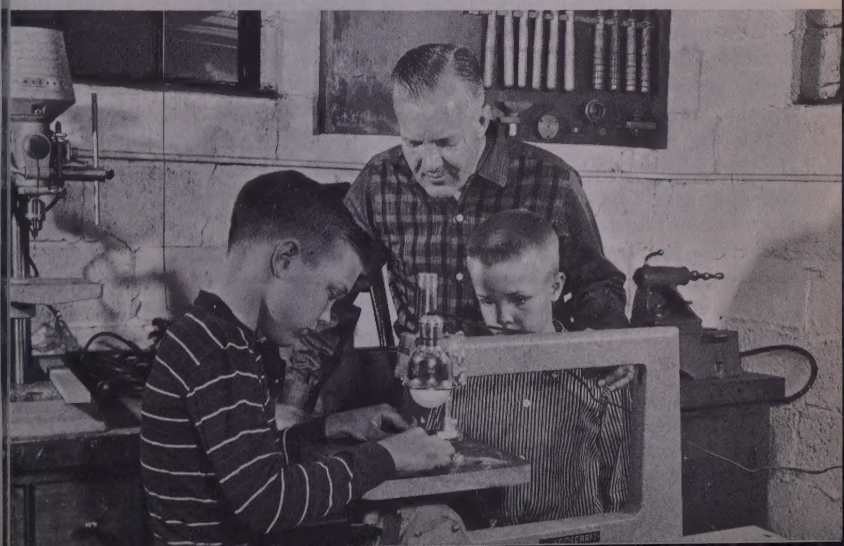
out diversification the drop could have been sharper. "Our kind of diversification helps us to roll with the punch. For example, while our sales to the oil and natural gas industry were being set back by the oil glut and the original Memphis decision, sales of some of our municipal and power plant products were rising to new highs. While industrial machine and power tool volume was off sharply, our home workshop power tools were selling like hotcakes and our sales of intermediate size tools for school workshops were running strong." (With the Supreme Court's reversal of the Memphis decision last December, Al Rockwell feels by next year "there will be a big expansion by natural gas companies," bringing stronger gas product sales.)

Thus while some operations dipped last year, others showed increases and Rockwell managed to amply cover its dividend which was placed on a 37½¢ quarterly basis after a 3-for-2 split in November 1958. The company has also added stock to the cash disbursement (a year-end 4% in 1956 and 1957).

Al Rockwell says: "We will recommend to the board this year to pay another 4% in stock but I can't tell what they will do. However I don't think we will raise the cash dividend since we like to be sure we'll be able to cover our set rate even in an off year." He predicts: "When we reach another earnings plateau, say $3, we will probably increase the dividend to $2." This will come "sometime in the Sixties."

The 3,500,000 shares have risen in the past decade from an adjusted low of 6 to about 34 recently. Al Rockwell has no immediate plans for listing the stock, says disarmingly: "The SEC requires so much red tape when you acquire another company. And a lot of the informa-

Al Rockwell and sons do-it-with Delta tools



tion is of interest only to your competitors." He adds: "Anyway we recently conducted a survey and found our stock trades more actively than 60% of the companies listed on the Big Board."

Look Abroad. Acquisition-minded Rockwell has not confined its activities to the US and Canada. To tap the European Common Market president Rockwell felt "it is better to go into a going business than to start from scratch so we bought Ilo-Werke, an integrated gasoline and small diesel engine maker in West Germany in 1957." Rockwell has already built an additional plant to manufacture valves for sale in the world market and "we are going ahead on a new factory to make our power tools and meters over there too. It should be finished in 12-to-15 months."

However, Rockwell is not content to expand by acquisitions alone. Al Rockwell insists: "We are a very research-minded outfit and spend about 3½% of every sales dollar on research and engineering." One example of the results: a large capacity petroleum and industrial liquid meter called the Turbo Meter which can measure the entire load of the largest tanker in a day, thus cuts costly hours or even days from non-productive time in port. The meter is extremely accurate too and "we estimate some oil companies might save as much as $10,000 a day through extensive use of Turbo Meters." Brought out in March in a 16-inch size, the meter sells for $10,000 but "we plan to bring out less expensive 8 and 10-inch units so we can get a broader market."

Rockwell also seeks to expand earnings by streamlining. Of the 21 plants scattered across the US (plus one in Canada) "about 75% have been modernized since 1953." Expensive and outmoded operations in three cities (Milwaukee, Pittsburgh, Oakland) have been removed and these are now integrated with other Rockwell facilities in more favorable locations such as the Midwest and the South.

Prexy Rockwell happily reports: "Profit margins after taxes have been up as high as 9% in one month this year. Although I don't expect we will maintain that rate through the whole year I think we will make a pretty good showing."

In the first half of 1959, Rockwell has already done just that. While sales rose 17% to $57,355,000, net soared 81% to $4,450,000 or $1.29 a share. Full-year results should be even better. Al Rockwell estimates "sales in the area of $120,000,000 and earnings around $2.80 a share." This would be a penny above the previous peak reached in 1957.

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CHIFFON WRAPPINGS

This happy young housewife whipped up a sinkful of suds without having to cope with soggy soap boxes or rusting, slippery cans. Her magic dishpan formula: a new plastic-packaged, turquoise-colored version of liquid Chiffon introduced last month by No 2 meat packer Armour & Company. The new package plus the growing market for liquid synthetic detergents gives $225,000,000-assets Armour "high hopes" for higher soap & detergent sales this year (it also makes "round the clock protecting" Dial soap).

But about 90% of Armour's almost $1.9 billion sales this year will still come from its diverse food operations. Most important of course is meat packing but others include processing of butter, eggs, poultry and dairy products; extraction and processing of vegetable oils, etc. The remaining 10% is divided up among the soaps & detergents, adhesives, glycerin & fatty acids, cushioning products, abrasives, hides, skins, leather, chemicals and pharmaceuticals.

In the last decade total Armour sales have shown little variation from the 1948 sales figure of $1.8 billion. But over the same period earnings have fluctuated widely, reflecting the divergent price trends in the meat packing industry. From a deficit of $2,550,000 in the October 1948 year, earnings recovered to a record $19,000,000 or $3.25 a share in 1950. Four years later profits once again dipped to $1,560,000, only to bounce back to a fat $13,870,000 by 1956. After a 1957 dip to $3,370,000, they rose again last year to $5,560,000 or $1.08 a share. Armour expects further improvement for the year ending this month, thanks to organizational changes, improved hog tonnage and improved results from non-food operations.

On the Big Board, the 5,036,000 shares of Armour stock reflect the wide earnings fluctuations. Adjusted for 10% stock dividends in 1957 and 1959, the stock traded at a low of 4 in 1949, reached a high of 19 in 1956, dropped to 9 in 1957 but has since climbed sharply to hit a recent alltime high of 31.

WELL-TRODDEN WAY

We are accustomed to using the term *habit-forming* in a derogatory sense. But William James astutely observed: "Habit is the enormous fly-wheel of society, its most precious conservative agent." And if you stop to think about it, habit makes our personal lives much easier, too. How complicated life would be if every action were an innovation, if we couldn't wash and dress and eat and drive and dial the telephone automatically, without effort, thanks to habit!

Habit is probably the secret of the success of the Monthly Investment Plan, which provides for and encourages regular, *habitual* investing in amounts anywhere from $40 every quarter to $1,000 every month. It's the easiest way we know to become part-owner of any of the 1,100 companies listed on the New York Stock Exchange. Through MIP, you can buy stock by the dollar's worth at regular commission rates and reinvest your dividends automatically, if you like. There are no membership charges, no special fees, no penalties for withdrawing.

If you'd like information about how to make a habit of investing, just put the letters MIP and your name and address on a post card and send it off to us. We'll send you our whole MIP kit: membership form, helpful leaflet suggesting 20 stocks for long-term investment, and explanatory booklet telling you exactly how to get out of the rut of letting surplus funds slip through your fingers and get into the groove of regular, habitual investing.

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